

Message Text

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ACTION EA-09

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LAB-04 SIL-01 PA-02 PRS-01 IGA-02 INT-05 DOTE-00

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R 140913Z SEP 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2249

TREASURY DEPT WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL HONG KONG

USMISSION OECD PARIS

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PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - SEP 9-14

1. SUMMARY: WEEKLY SUMMARY OF ECONOMIC AND FINANCIAL DEVELOPMENTS TRANSMITTED EARLY AS WED, SEP 15, IS NATL HOLIDAY. JAPANESE ECONOMY CONTINUES TO MOVE AHEAD ALTHOUGH THERE ARE SOME SIGNS THAT DOMESTIC DEMAND REMAINS WEAK. INDUSTRIAL PRODUCTION AND SHIPMENTS CONTINUED TO INCREASE IN JULY. HOWEVER, JULY NEW MACHINERY ORDERS REGISTERED THIRD DECLINE IN FOUR MONTHS, INDICATING DOMESTIC INVESTMENT MAY NOT PICK UP RAPIDLY. AUG RISE IN WHOLESALE PRICE INDEX WAS 0.5 PERCENT, ONLY HALF THE SIZE OF JULY INCREASE, BUT BOJ REMAINS UNCLASSIFIED

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CONCERNED ABOUT INFLATION. BUT LABOR COSTS INCREASED

SLIGHTLY IN JULY. CUSTOMS BASIS EXPORTS SHOWED LITTLE
CHANGE IN AUG AND IMPORTS ROSE 3.6 PERCENT. END SUMMARY.

2. INDUSTRIAL PRODUCTION AND SHIPMENTS BOTH CONTINUED TO
INCREASE IN JULY. REVISED FIGURES SHOW SEASONALLY ADJUSTED
MINING AND MANUFACTURING PRODUCTION INDEX (JEI 212) ROSE
2.2 PERCENT FROM PRIOR MONTH, A MUCH LARGER INCREASE
THAN PREVIOUSLY INDICATED. EXCLUDING SHIPS. PRODUCTION
INDEX WAS UP SOMEWHAT LARGER 2.5 PERCENT. JULY PRODUCTION
INCREASE WAS LED BY HIGHER OUTPUT IN ELECTRIC MACHINERY
(UP 6.1 PERCENT) AND CHEMICALS (UP 5.3 PERCENT). INDEX OF
PRODUCERS' SHIPMENTS (JEI 239) REGISTERED 0.6 PERCENT INCREASE
IN JULY, IN CONTRAST TO STAGNATION INDICATED BY PRELIMINARY
ESTIMATES. EXCLUDING SHIP DELIVERIES, PRODUCERS' SHIPMENTS
RECORDED HEALTH 1.5 PERCENT INCREASE IN JULY. RATIO OF
PRODUCERS' INVENTORY OF FINISHED GOODS TO SHIPMENTS (JEI 253)
ROSE 0.2 PERCENT IN JULY. ADDITIONAL DETAILS OF JULY
INDUSTRIAL PRODUCTION, SHIPMENTS AND INVENTORIES REPORTED
SEPTEMBER.

(INDEX, 1970-100) (PCT CHANGE FROM PRIOR MONTH IN PAREN)

	MIN. & MFG. PRODUCTION	PRODUCERS' SHIPMENTS	INVENTORY TO SHIPMENTS RATIO
MAY	123.9(-1.8)	128.8 (0.2)	123.1 (-0.1)
JUNE	125.5 (1.3)	130.7 (1.5)	120.0 (-2.5)
JULY	128.2 (2.2)	131.5 (0.6)	120.3 (0.2)

3. JULY NEW MACHINERY ORDERS, SEASONALLY ADJUSTED, FELL
10 PERCENT FROM PRIOR MONTH LEVEL. DECLINE WAS THIRD IN
PAST FOUR MONTHS, AND DROPPED NEW PRIVATE MACHINERY
ORDERS EXCLUDING SHIPS (JEI 337) 7.3 PERCENT BELOW LEVEL
OF WEAK SECOND QUARTER 1976 AND SLIGHTLY BELOW MONTHLY
AVERAGE FOR RECESSION YEAR 1975. MACHINERY ORDERS PLACED
BY MANUFACTURING FIRMS DECLINED 4.7 PERCENT FROM PRIOR MONTH
ON SEASONALLY ADJUSTED BASIS BUT ORDERS PLACED BY NON-
MANUFACTURING FIRMS (EXCLUDING ORDERS FOR SHIPS) FELL 14.7
PERCENT.

NEW MACHINERY ORDERS, EXCLUDING SHIPS, S.A.

	BIL YEN	PERCENT CHANGE FROM PRIOR MONTH
MAY	223.6	MIN 9.6

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JUNE	246.0	10.0
JULY	221.5	MIN 10.0

4. AUG WHOLESALE PRICES ROSE 0.5 PERCENT. MAJOR CONTRIBUTORS
TO AUG INCREASE WERE IRON AND STEEL (UP 2.3 PERCENT FROM
PRIOR MONTH), ELECTRIC POWER (UP 1.7 PERCENT) AND LUMBER AND
WOOD PRODUCTS (UP 2.7 PERCENT). PRICES OF CRUDE OIL AND
PETROLEUM PRODUCTS FELL SLIGHTLY AND COPPER PRICES DROPPED

1.9 PERCENT. THERE HAVE BEEN A NUMBER OF INCREASES IN ELECTRIC POWER RATES THIS YEAR. AND RATE INCREASE TO BE GRANTED DURING SEP FOR TOKO AREA IS EXPECTED TO BE PRINCIPAL CONTRIBUTOR TO UPWARD PRESSURE ON NATL WPI IN THAT MONTH. SIZE OF AUG INCREASE IN WPI WAS ONLY ONE-HALF OF THAT OF JULY FIGURE. A DEVELOPMENT WHICH PRODUCED SOME OPTIMISM AT BANK OF JAPAN. ALTHOUGH OFFICIALS THERE CONTINUE TO VIEW INFLATION AS SERIOUS PROBLEM, THEY THINK THE PROSPECT OF A SHARP ACCELERATION OF INFLATION THAT WOULD RESULT IN MONTHLY WPI INCREASES OF MORE THAN 1 PERCENT HAS NOW FADED. BOJ OFFICIALS WERE PARTICULARLY PLEASED WITH FACT THAT AUG FIGURES INDICATED THAT ASIDE FROM IRON AND STEEL PRODUCTS PRICES OF MANUFACTURED GOODS DID NOT DISPLAY STRONG UPWARD MOVEMENT.

INDEX (N.S.A., 1970-100) (PERCENT CHANGE FROM PRIOR MONTH)

JUNE	164.9	0.5
JULY	166.5	1.0
AUG	167.3	0.5

5. UNIT LABOR COSTS ROSE 1.0 PERCENT IN JULY ON SEASONALLY ADJUSTED BASIS. INCREASE IN INDEX OF UNIT LABOR COSTS (JEI 421) WAS SECOND INCREASE FOR THIS YEAR AND LARGEST RISE IN NINE MONTHS. THERE ARE SOME INDICATIONS THAT INCREASES IN LABOR PRODUCTIVITY, WHICH WERE RELATIVELY LARGE IN EARLY MONTHS OF THIS YEAR, HAVE NOW NARROWED SHARPLY. IN THREE-MONTH SPAN FROM FEB TO APR. INDEX OF UNIT LABOR COSTS FELL 7.8 PERCENT AS PRODUCTION PICKED UP RAPIDLY; IN MAY-JULY PERIOD. HOWEVER, DECLINE IN INDEX HAS ONLY BEEN 1.2 PERCENT.

INDEX 1970-100 PERCENT CHANGE FROM PRIOR MONTH

MAY	182.3	0.2
JUNE	177.9	MIN 2.4
JULY	179.7	1.0

6. AUG EXPORTS

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DECLINED 1.4 PERCENT FROM PRIOR MONTH ON SEASONALLY ADJUSTED BASIS TO RECORD SECOND STRAIGHT MONTHLY DECLINE, ACCORDING TO CUSTOMS TRADE FIGURES RELEASED TODAY BY MOF. IMPORTS (JEI 47) ROSE 3.6 PERCENT ON SEASONALLY ADJUSTED BASIS IN AUG TO REGISTER THIRD SUCCESSIVE INCREASE. EXPORTS (JEI 43) CONTINUE TO BE LED BY AUTOS (WITH AUG EXPORTS UP 47 PERCENT FROM SAME MONTH LAST YEAR) AND TV, RADIOS AND TAPE RECORDERS (MORE THAN 50 PERCENT ABOVE LEVEL OF AUG 1975). CRUDE OIL IMPORTS IN AUG WERE UNCHANGED FROM PRIOR MONTH LEVEL. IMPORTS OF LOGS AND LUMBER AS WELL AS NON-FERROUS METALS ARE UP SHARPLY FROM LAST YEAR'S LEVELS BUT IRON ORE IMPORTS CONTINUE TO LAG. ADDITIONAL DETAILS ON AUG CUSTOMS TRADE DATA WILL BE REPORTED SEPT. SHOESMITH

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